

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |                            |  |                    |
|--|----------------------------|--|--------------------|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                            | Local Unit Name<br>Bear Lake                       | County<br>Manistee |
| Fiscal Year End<br>03/31/2007  | Opinion Date<br>09/25/2007 | Date Audit Report Submitted to State<br>09/28/2007 |                    |

We affirm that

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

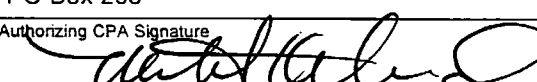
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |                                     |  |                              |
|--|-------------------------------------|--|------------------------------|
| <b>We have enclosed the following:</b>   | Enclosed                            | Not Required (enter a brief justification) |                              |
| Financial Statements   | <input checked="" type="checkbox"/> |  |                              |
| The letter of Comments and Recommendations   | <input checked="" type="checkbox"/> |  |                              |
| Other (Describe)   | <input type="checkbox"/>            |  |                              |
| Certified Public Accountant (Firm Name)<br>Wilson Ward CPA Firm  |                                     | Telephone Number<br>231-276-7668           |                              |
| Street Address<br>PO Box 205   |                                     | City<br>Interlochen                        | State<br>MI                  |
|  |                                     | Zip<br>49643                               |                              |
| Authorizing CPA Signature<br> |                                     | Printed Name<br>Robert Ward                | License Number<br>1101028281 |

BEAR LAKE TOWNSHIP  
MANISTEE COUNTY, MICHIGAN

BEAR LAKE, MICHIGAN

Audit Report

For Year Ended  
March 31, 2007

Wilson, Ward CPA Firm  
PO Box 205  
Interlochen, MI 49643  
(231) 276-7668

September 25, 2006

Ms. Leslie Smith, Supervisor  
Bear Lake Township  
Bear Lake Township, Michigan

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Bear Lake Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Bear Lake Township are listed in the footnotes. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into Bear Lake Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

## Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

## Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Bear Lake Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The information was made available timely and in an organized manner by the clerk and treasurer.

COMMENT: The Clerk appears to be doing her job twice over by using the old system and the new system.

RECOMMENDATION: Fully implementing the new system and breaking away from the old system would greatly reduce the clerks work time. Resources should be utilized to fully utilize the new system in it's entirety.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the opportunity to work with Bear Lake Township.

Sincerely,

A handwritten signature in black ink that reads "Wilson, Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson, Ward CPA Firm

BEAR LAKE TOWNSHIP  
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# INTRODUCTORY SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS

Bear Lake Township Board  
Bear Lake, Michigan

We have audited the financial statements of Bear Lake Township as of and for the year ended March 31, 2007, and have issued our report thereon dated September 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Bear Lake Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bear Lake Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bear Lake Township's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bear Lake Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Bear Lake Township's response to the findings identified in our audit are described above. We did not audit Bear Lake Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Ward CPA Firm*

Interlochen, MI  
September 25, 2007



## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Bear Lake Township Board  
Bear Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, and the aggregate remaining fund information of Bear Lake Township, Benzie County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bear Lake Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Bear Lake Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2006, on our consideration of the Bear Lake Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bear Lake Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Wilson, Ward CPA Firm*

Interlochen, MI  
September 25, 2007

# Bear Lake Township

## Management Discussion and Analysis

This discussion and analysis provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

### Financial Highlights:

- The Township's net assets changed slightly with a 4.4 percent increase attributed to frugal township operations.

### Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Township's operations in more detail than the Government-Wide Financial Statements by providing information about the Township's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

### Reporting the Township's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

### 3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

### The Township as a Whole:

The following table shows a comparison of current and previous year net assets:

| Assets                           | 2006           | 2007           |
|----------------------------------|----------------|----------------|
| Cash                             | 491,584        | 506,659        |
| Other Current Assets             | 15,262         | 16,992         |
| Capital Assets Net               | <u>38,156</u>  | <u>36,472</u>  |
| Total Assets                     | 545,003        | 560,123        |
| Liabilities and Net Assets       |                |                |
| Liabilities                      | 0              | 0              |
| Net Assets                       | <u>545,003</u> | <u>560,123</u> |
| Total Liabilities and Net Assets | 545,003        | 560,123        |

The Township's combined net assets increased 4.4% from a year ago - increasing from \$545,003 to \$560,123.

### Governmental Activities:

|                      | 2006     | 2007     |
|----------------------|----------|----------|
| Revenues             |          |          |
| Taxes                | 129,819  | 136,815  |
| State Grants         | 85,706   | 86,585   |
| Interest and Rental  | 14,493   | 19,869   |
| Charges for Services | 37,356   | 44,491   |
| Other                | <u>0</u> | <u>0</u> |
| Total Revenue        | 296,222  | 338,163  |
| Expenditure          | 244,725  | 314,549  |
| Transfers            | <u>0</u> | <u>0</u> |
| Excess Revenue       | 51,497   | 23,614   |

The Township's real governmental revenues increased by approximately \$41,942. This decrease, which represents 14 percent, was primarily due to increases in non standard revenues.

These activities expenses increased by \$74,638, or 31 percent, and were due in part to the completion of a road project.

### **The Township's Funds:**

Our analysis of the Township's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred from the General Fund for Fire Services is supported by an operational budget approved by the Township Board and included the use of reserve funds.

### **General Fund Budgetary Highlights:**

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets.

### **Capital Asset and Debt Administration:**

#### ***Capital Assets***

The Township made no major capital improvements in 2007 other than the repair of a road that is not capitalizable.

|                            | Asset          | Depreciation | Accumulated<br>Depreciation |
|----------------------------|----------------|--------------|-----------------------------|
| General Fixed Assets       |                |              |                             |
| Land                       | 23,000         | 0            | 0                           |
| Buildings                  | 79,062         | 0            | 79,062                      |
| Equipment                  | <u>501,931</u> | <u>1,684</u> | <u>488,459</u>              |
| Total General Fixed Assets | 603,993        | 1,684        | 567,521                     |

#### ***Debt***

The Township acquired no additional debt in 2007 and has no debt.

### **Economic Factors and Next Year's Budgets and Rates:**

Bear Lake Township's 2007 budget calls for the allocated millage. With this millage we are able to fund the majority of fire services and general services including recreational parks. There are additional voted millages to supplement fire operations.

### **General Overview of the Accomplishments of Bear Lake Township in the 2007 Fiscal Year:**

The Township finances have been managed very closely in 2007. This is reflected in a slight increase of the General Fund balance. The Township is in a very healthy state as a whole.

### **Contacting the Township's Management:**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 864-3620.

**BEAR LAKE TOWNSHIP**  
Government Wide Statement of Net Assets  
As of March 31, 2007

|                                     | Total                   |
|-------------------------------------|-------------------------|
| <b>Assets</b>                       |                         |
| Cash & Investments                  | \$506,659               |
| Accounts Receivable - Taxes         | 12,051                  |
| Accounts Receivable                 | 4,941                   |
| Prepaid Insurance                   | 0                       |
| Net Assets                          | <u>36,472</u>           |
| Total Assets                        | <u><u>560,123</u></u>   |
| <b>Liabilities and Fund Balance</b> |                         |
| Liabilities                         |                         |
| Accounts Payable                    | 0                       |
| Retirement Payable                  | 0                       |
| Deferred Taxes Receivable           | 0                       |
| Note Payable                        | <u>0</u>                |
| Total Liabilities                   | 0                       |
| Fund Equity                         |                         |
| Fund Balance - Reserved             | 27,563                  |
| Fund Balance - Unreserved           | <u>532,560</u>          |
| Total Fund Equity                   | <u><u>560,123</u></u>   |
| Total Liabilities and Fund Balance  | <u><u>\$560,123</u></u> |

**BEAR LAKE TOWNSHIP**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2007**

| Functions/Programs  | Expenses       | Charges for Services | Program Revenues<br>Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets<br>Primary Governmental Activities | Business-type Activities | Total            |
|---|----------------|----------------------|--|----------------------------------|--|--------------------------|------------------|
| <b>Primary government</b>                                 |                |                      |  |                                  |  |                          |                  |
| <b>Governmental activities:</b>                           |                |                      |  |                                  |  |                          |                  |
| Legislative   | \$33,458       | \$0                  | \$0  | \$0                              | (\$33,458)   |                          | (\$33,458)       |
| General government  | 110,705        | 44,491               |  |                                  | (66,213)   |                          | (66,213)         |
| Public safety   | 48,474         |                      |  |                                  | (48,474)   |                          | (48,474)         |
| Public works  | 119,429        |                      |  |                                  | (119,429)  |                          | (119,429)        |
| Health and Welfare  | 0              |                      |  |                                  | 0  |                          | 0                |
| Community and Economic Development                        | 0              |                      |  |                                  | 0  |                          | 0                |
| Recreation and Culture                                    | 800            |                      |  |                                  | (800)  |                          | (800)            |
| Depreciation  | 1,684          |                      |  |                                  | (1,684)  |                          | (1,684)          |
| Interest on Long Term Debt                                | 0              |                      |  |                                  | 0  |                          | 0                |
| <b>Total Governmental Activities</b>                      | <b>314,549</b> | <b>44,491</b>        | <b>0</b>   | <b>0</b>                         | <b>(270,058)</b>   | <b>0</b>                 | <b>(270,058)</b> |
| <b>Business Type Activities</b>                           |                |                      |  |                                  |  |                          |                  |
| Enterprise Funds  | 0              | 0                    |  |                                  |  | 0                        | 0                |
| <b>Total Primary Government</b>                           | <b>314,549</b> | <b>44,491</b>        | <b>0</b>   | <b>0</b>                         | <b>(270,058)</b>   | <b>0</b>                 | <b>(270,058)</b> |
|   |                |                      |  |                                  |  |                          |                  |
| <b>General revenues:</b>                                  |                |                      |  |                                  |  |                          |                  |
| <b>Taxes</b>  |                |                      |  |                                  |  |                          |                  |
| Property Taxes-general                                    |                |                      |  |                                  | 136,815  |                          | 136,815          |
| Property Taxes-debt service                               |                |                      |  |                                  | 0  |                          | 0                |
| State-Shared Revenues                                     |                |                      |  |                                  | 86,585   |                          | 86,585           |
| Unrestricted Investment Earnings                          |                |                      |  |                                  | 19,869   | 0                        | 19,869           |
| Franchise taxes   |                |                      |  |                                  | 0  |                          | 0                |
| Contributions   |                |                      |  |                                  | 0  |                          | 0                |
| Miscellaneous   |                |                      |  |                                  | 50,403   |                          | 50,403           |
| Transfers   |                |                      |  |                                  | 0  |                          | 0                |
| <b>Total General Revenues-Special Items and Transfers</b> |                |                      |  |                                  | <b>293,672</b>   | <b>0</b>                 | <b>293,672</b>   |
| <b>Changes in Net Assets</b>                              |                |                      |  |                                  | <b>23,614</b>  | <b>0</b>                 | <b>23,614</b>    |
|   |                |                      |  |                                  |  |                          |                  |
| <b>Net Assets - Beginning</b>                             |                |                      |  |                                  | <b>536,509</b>   | <b>0</b>                 | <b>536,509</b>   |
|   |                |                      |  |                                  |  |                          |                  |
| <b>Net Assets - Ending</b>                                |                |                      |  |                                  | <b>\$560,123</b>   | <b>\$0</b>               | <b>\$560,123</b> |
|   |                |                      |  |                                  |  |                          |                  |
| Net Income Per Governmental Balance Sheet                 | \$25,298       |                      |  |                                  |  |                          |                  |
| Less Depreciation   | <u>1,684</u>   |                      |  |                                  |  |                          |                  |
| Net Income Per Statement of Activities                    | \$23,614       |                      |  |                                  |  |                          |                  |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**BEAR LAKE TOWNSHIP**  
Governmental Funds Balance Sheet  
As Of March 31, 2007

|   | Governmental Fund Types |                    |                      |
|---|-------------------------|--------------------|----------------------|
|   | General                 | Non Major<br>Funds | Total<br>(Memo Only) |
| <b>Assets</b>                             |                         |                    |                      |
| Cash & Investments                        | \$187,851               | \$318,808          | \$506,659            |
| Accounts Receivable taxes                 | 8,499                   | 3,552              | 12,051               |
| Accounts Receivable                       | 4,941                   | 0                  | 4,941                |
| Due from Other Funds                      | 4,054                   | 0                  | 4,054                |
| Prepaid Insurance                         | 0                       | 0                  | 0                    |
| Buildings & Improvements                  | 0                       | 0                  | 0                    |
| Machinery & Equipment                     | 0                       | 0                  | 0                    |
| Total Assets                              | 205,345                 | 322,360            | 527,705              |
| <b>Liabilities and Fund Balance</b>       |                         |                    |                      |
| <b>Liabilities</b>                        |                         |                    |                      |
| Accounts Payable                          | 0                       | 0                  | 0                    |
| Retirement Payable                        | 0                       | 0                  | 0                    |
| Deferred Taxes Receivable                 | 0                       | 0                  | 0                    |
| Due to Other Funds/Agencies               | 0                       | 4,054              | 4,054                |
| Note Payable                              | 0                       | 0                  | 0                    |
| Total Liabilities                         | 0                       | 4,054              | 4,054                |
| <b>Fund Equity</b>                        |                         |                    |                      |
| Fund Balance - Reserved                   | 27,563                  | 0                  | 27,563               |
| Fund Balance - Unreserved                 | 177,782                 | 318,306            | 496,088              |
| Total Fund Equity                         | 205,345                 | 318,306            | 523,651              |
| Total Liabilities and Fund Balance        | \$205,345               | \$322,360          | \$527,705            |
| <br>Fund Balance Per All Government Funds |                         |                    | 523,651              |
| <br>Add Net Assets                        |                         |                    | 36,472               |
| Fund Balance Per Balance Sheet            |                         |                    | \$560,123            |

**BEAR LAKE TOWNSHIP**  
Combined Statement of Revenues, Expenditures and Changes in Fund Balance  
All Governmental Fund Types  
For the Year Ended March 31, 2007

|                                  | <u>Governmental Fund Types</u> |                    |                      |
|----------------------------------|--------------------------------|--------------------|----------------------|
|                                  | General<br>Fund                | Non Major<br>Funds | Total<br>(Memo Only) |
| <u>Revenues</u>                  |                                |                    |                      |
| Taxes                            | \$90,908                       | \$45,907           | \$136,815            |
| Admin Fees                       | 30,743                         | 8,493              | 39,236               |
| Licenses                         | 3,235                          | 0                  | 3,235                |
| State Grants                     | 86,585                         | 0                  | 86,585               |
| Charges for Services             | 2,020                          | 0                  | 2,020                |
| Interest & Rentals               | 12,971                         | 6,898              | 19,869               |
| Other Revenues                   | 20,024                         | 30,379             | 50,403               |
| Total Revenues                   | 246,486                        | 91,677             | 338,164              |
| <u>Expenditures</u>              |                                |                    |                      |
| Current                          |                                |                    |                      |
| Legislative                      | 33,458                         | 0                  | 33,458               |
| General Government               | 121,996                        |                    | 121,996              |
| Public Safety                    | 0                              | 37,183             | 37,183               |
| Public Works                     | 30,428                         | 89,801             | 120,229              |
| Other                            | 0                              | 0                  | 0                    |
| Total Expenditures               | 185,881                        | 126,984            | 312,865              |
| Excess Revenue (Expenditures)    | 60,605                         | (35,307)           | 25,298               |
| Fund Balance - Beginning of Year | 244,740                        | 262,106            | 506,846              |
| Transfers in / (Out)             | (100,000)                      | 100,000            | 0                    |
| Fund Balance - End of Year       | \$205,345                      | \$326,799          | \$532,144            |

## BEAR LAKE TOWNSHIP FOOTNOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

#### A. Reporting Entity

Bear Lake Township is located in Manistee County, Michigan. The Township is governed by an elected five member board. Services are provided to approximately 1270 residents and include fire protection and general community enrichment services. The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Township. The criterion used to determine the reporting entity, "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials."

Based on the criterion above there are no other organizations included in these financial statements.

#### B. Summary of Significant Accounting Policies

##### Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

##### Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Enterprise funds should be accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Expenses are recognized in the accounting period incurred, if measurable.

The accounting policies of Bear Lake Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas wherein the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

D. GASB 34

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements

### C. Budgets and Budgetary Accounting

The general fund and enterprise fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board.

### D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

### 2. Excess of Expenditures over Appropriations

The local unit shall not incur expenditures in excess of appropriations. This also requires a disclosure of all such functional areas which exceeded budget. As such, a budgeted statement is included in the supplementary data portion of these financial statements.

### 3. Financial Control of Funds

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

1. Direct obligations of the United States or an agency or instrumentality of the United States.
2. In any account or depository which is a member of the F.D.I.C. or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
3. Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more than 270 days following the date of purchase.
4. In United States Government of federal agency obligations repurchase agreements.
5. In bankers acceptances of the United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

### 4. Cash and Investments

Deposits of the Township are as authorized by the Township Board. A summary of these accounts and amounts is included in the supplemental data section of this report. All funds of Bear Lake Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet account for all funds includes all cash, investments and imprest (petty cash) funds.

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

|           | <u>Carrying Value</u> | <u>Bank Value</u> |
|-----------|-----------------------|-------------------|
| Insured   | \$ 100,000            | \$ 100,000        |
| Uninsured | \$ 51,976             | \$ 57,023         |

The Township also has \$354,683 invested in certificates of deposit which are not reported according to risk.

#### 5. Pension Plan

The Township participates in a defined contribution pension plan administrated by Municipal Retirement Systems, Inc. covering all elected officials and other full-time employees. The Township contributes the premium, based on the annual normal compensation. Plan members may make additional voluntary contributions. The Township's contribution for the year ended March 31, 2006 amounted to approximately \$3,800.

#### 6. Changes in General Fixed Assets

General Fixed Assets have been acquired for general township purposes and at the time of purchase were recorded as expenditures. All depreciation is computed using straight line with lives of 30-50 years for buildings, 15 years for equipment and 10-25 years for fire vehicles. Detailed information concerning these accounts is as follows:

|                                  | <u>Balance</u><br><u>4/01/06</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>3/31/07</u> |
|----------------------------------|----------------------------------|------------------|------------------|----------------------------------|
| Land, Improvements and Buildings | \$102,062                        |                  |                  | \$102,062                        |
| Vehicles                         | 408,622                          |                  |                  | 408,622                          |
| Equipment                        | 93,309                           | <u>0</u>         | <u>0</u>         | <u>93,309</u>                    |
|                                  | <u>\$ 603,993</u>                | <u>0</u>         | <u>0</u>         | <u>\$603,993</u>                 |
|                                  | <u>Balance</u><br><u>4/01/06</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>3/31/07</u> |
| <u>Accumulated Depreciation</u>  |                                  |                  |                  |                                  |
| Land, Improvements and Buildings | \$ 79,062                        |                  |                  | \$ 79,062                        |
| Vehicles                         | 408,622                          |                  |                  | 408,622                          |
| Equipment                        | 78,153                           | <u>1,684</u>     | <u>0</u>         | <u>79,837</u>                    |
|                                  | <u>\$ 565,837</u>                | <u>1,684</u>     | <u>0</u>         | <u>\$567,521</u>                 |

#### 7. Compensated Absences and Post Employment Benefits

The Township does not pay for compensated absences.

#### 8. Contingent Liabilities

There are no known contingent liabilities.

#### 9. Risk Management

The Township carries commercial insurance as a protection against risk.

#### 10. Taxes Receivable

The taxes receivable reflected in the general fund represents delinquent real property taxes (\$7,030) and tax administration fees (\$1,469) on delinquent real property taxes. Manistee County funds the delinquent tax roll by selling tax notes annually and distributing the proceeds to the governmental units currently. Accordingly, these delinquent taxes and related fees recorded as revenue in the current year. The Fire Equipment Fund likewise has delinquent taxes in the amount of \$3,552.

## SUPPLEMENTAL DATA SECTION

**WILSON, WARD CPA FIRM**

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To the Township Board  
Township of Bear Lake  
Manistee County, MI

We have audited the combined financial statements of Township of Bear Lake for the year ended March 31, 2007. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

*Wilson, Ward CPA Firm*

Interlochen, MI  
September 25, 2007



## General Fund

Bear Lake Township  
Balance Sheet  
General Fund

As Of March 31, 2007

Assets

|                              |                |
|------------------------------|----------------|
| Cash In Bank and Investments | \$187,851      |
| Accounts Receivable          | 4,941          |
| Taxes Receivable             | 8,499          |
| Due From Other Agencies      | 0              |
| Due From Other Funds         | 4,054          |
| Total Assets                 | <u>205,345</u> |

Liabilities and Fund Balance

Liabilities

|                          |          |
|--------------------------|----------|
| Accounts Payable         | 0        |
| Accrued Salaries & Wages | 0        |
| Deferred Revenue         | 0        |
| Due To Other Funds       | 0        |
| Compensated Absences     | 0        |
| Total Liabilities        | <u>0</u> |

Fund Balance

|                                 |                |
|---------------------------------|----------------|
| Reserved for Cemetary Endowment | 27,563         |
| Unreserved                      | 177,782        |
| Total Fund Balance              | <u>205,345</u> |

|                                    |                  |
|------------------------------------|------------------|
| Total Liabilities and Fund Balance | <u>\$205,345</u> |
|------------------------------------|------------------|

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Bear Lake Township**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**

For the Year Ended March 31, 2007

|                                  | Original<br>Adopted Budget<br>04/01/06 | Final<br>Amended Budget<br>03/31/07 | Actual<br>March 31, 2007 | Budget<br>Variance |
|----------------------------------|--|-------------------------------------|--------------------------|--------------------|
| <b>Revenue</b>                   |  |                                     |                          |                    |
| Taxes                            | \$83,900                               | \$83,900                            | \$90,908                 | \$7,008            |
| Admin Fees                       | 7,000                                  | 7,000                               | 30,743                   | 23,743             |
| Licenses and Permits             | 3,800                                  | 3,800                               | 3,235                    | (565)              |
| Charges for Services             | 2,500                                  | 2,500                               | 2,020                    | (480)              |
| Interest & Rentals               | 9,300                                  | 9,300                               | 12,971                   | 3,671              |
| Other Revenues                   | 2,100                                  | 2,100                               | 1,671                    | (429)              |
| Donations                        | 0                                      | 0                                   | 0                        | 0                  |
| State Shared Revenue             | 85,000                                 | 85,000                              | 86,585                   | 1,585              |
| Reimbursements                   | 0                                      | 0                                   | 18,353                   | 18,353             |
| Total Revenues                   | 193,600                                | 193,600                             | 246,486                  | 52,886             |
| <b>Expenditures</b>              |  |                                     |                          |                    |
| Current                          |  |                                     |                          |                    |
| Legislative                      | 25,000                                 | 36,128                              | 33,458                   | 2,670              |
| General Government               | 105,200                                | 117,200                             | 110,705                  | 6,495              |
| Planning and Zoning              | 9,500                                  | 14,000                              | 11,292                   | 2,708              |
| Sanitation                       | 37,000                                 | 37,000                              | 29,361                   | 7,639              |
| Zoning Board                     | 1,500                                  | 1,500                               | 266                      | 1,234              |
| Other                            | 28,500                                 | 872                                 | 800                      | 72                 |
| Total Expenditures               | 206,700                                | 206,700                             | 185,881                  | 20,819             |
| Excess Revenue (Expenditures)    |  |                                     | 60,605                   |                    |
| Operating Transfers In (out)     |  |                                     | (100,000)                |                    |
| Fund Balance - Beginning of Year |  |                                     | 244,740                  |                    |
| Prior Period Adjustment          |  |                                     | 0                        |                    |
| Fund Balance - End of Year       |  |                                     | <u>\$205,345</u>         |                    |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

## Non-Major Funds

**Bear Lake Township  
Combining Balance Sheet  
Non-Major Special Revenue Funds**

As Of March 31, 2007

|                                     | Fire<br>Fund | Fire<br>Equipment<br>Fund | Improvement<br>Fund | Roads<br>Fund | Total     |
|-------------------------------------|--------------|---------------------------|---------------------|---------------|-----------|
| <u>Assets</u>                       |              |                           |                     |               |           |
| Cash in Bank                        | \$50,059     | \$71,872                  | \$145,696           | \$51,182      | \$318,808 |
| Taxes Receivable                    | 3,552        | 0                         |                     | 0             | 3,552     |
| Due From GF                         |              | 0                         | 0                   | 0             | 0         |
|                                     | <hr/>        |                           |                     |               |           |
| Total Assets                        | 53,611       | 71,872                    | 145,696             | 51,182        | 322,360   |
| <u>Liabilities and Fund Balance</u> |              |                           |                     |               |           |
| Liabilities                         |              |                           |                     |               |           |
| Accounts Payable                    | 0            | 0                         | 0                   | 0             | 0         |
| Due to General Fund                 | 0            |                           |                     | 4,054         | 4,054     |
| Total Liabilities                   | 0            | 0                         | 0                   | 4,054         | 4,054     |
| Fund Balance                        |              |                           |                     |               |           |
| Reserved for Equipment Replacement  | 0            |                           |                     |               | 0         |
| Unreserved                          | 53,611       | 71,872                    | 145,696             | 47,128        | 318,306   |
| Total Fund Balance                  | 53,611       | 71,872                    | 145,696             | 47,128        | 318,306   |
|                                     | <hr/>        |                           |                     |               |           |
| Total Liabilities and Fund Balance  | \$53,611     | \$71,872                  | \$145,696           | \$51,182      | \$322,360 |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Bear Lake Township**  
**Combining Statement of Revenues, Expenditures & Changes in Fund Balance**  
**Non-Major Special Revenue Funds**

For The Year Ended March 31, 2007

|                                  | Fire<br>Fund | Improvement<br>Fund | Fire<br>Equipment<br>Fund | Road<br>Funds | Total     |
|----------------------------------|--------------|---------------------|---------------------------|---------------|-----------|
| <b>Revenues</b>                  |              |                     |                           |               |           |
| Property Taxes                   | \$28,300     |                     | \$14,103                  |               | \$42,402  |
| Delinquent Property Taxes        | 2,337        |                     | 1,168                     |               | 3,505     |
| Interest                         | 980          | 4,338               | 1,581                     |               | 6,898     |
| Miscellaneous                    | 21,904       |                     |                           | 8,475         | 30,379    |
| Total Revenue                    | 53,519       | 4,338               | 16,852                    | 8,475         | 83,184    |
| <b>Expenditures</b>              |              |                     |                           |               |           |
| Wages and Salaries               | 12,809       |                     | 0                         |               | 12,809    |
| Supplies                         | 1,493        |                     |                           |               | 1,493     |
| Fuel                             | 113          |                     |                           |               | 113       |
| Insurance                        | 7,932        |                     |                           |               | 7,932     |
| Inspections                      | 3,083        |                     |                           |               | 3,083     |
| Miscellaneous                    | 1,648        |                     |                           |               | 1,648     |
| Repairs                          | 10,106       |                     |                           |               | 10,106    |
| Capital Expenditures             | 0            |                     |                           | 89,801        | 89,801    |
| Total Expenditures               | 37,183       | 0                   | 0                         | 89,801        | 126,984   |
| Excess Revenue (Expenditures)    | 16,337       | 4,338               | 16,852                    | (81,326)      | (43,800)  |
| Transfer In/(Out)                | 0            | 0                   | 0                         | 100,000       | 100,000   |
| Fund Balance - Beginning of Year | 37,274       | 141,358             | 55,020                    | 28,454        | 262,106   |
| Fund Balance - End of Year       | \$53,611     | \$145,696           | \$71,872                  | \$47,128      | \$318,306 |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Bear Lake Township  
Balance Sheet  
Fire Fund**

As Of March 31, 2007

|                                     |                 |
|-------------------------------------|-----------------|
| <u>Assets</u>                       |                 |
| Cash In Bank and Investments        | \$50,059        |
| Taxes Receivable                    | <u>3,552</u>    |
| Total Assets                        | <u>53,611</u>   |
| <u>Liabilities and Fund Balance</u> |                 |
| Liabilities                         |                 |
| Accounts Payable                    | 0               |
| Due to General Fund                 | <u>0</u>        |
| Total Liabilities                   | 0               |
| Fund Balance                        |                 |
| Reserved for Equipment Replacement  | 0               |
| Unreserved                          | <u>53,611</u>   |
| Total Fund Balance                  | <u>53,611</u>   |
| Total Liabilities and Fund Balance  | <u>\$53,611</u> |

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS